

ARNOLD & PORTER

555 TWELFTH STREET, N.W.
WASHINGTON, D.C. 20004-1202

PAUL S. BERGER
(202) 942-5784

(202) 942-5000
FACSIMILE: (202) 942-5999

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January 1, 1996

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Mr. Ohad Marani
Minister for Economic
Affairs
3514 International Dr., N.W.
Washington, D.C. 20008

Mr. Eli Zitouk
Chief Fiscal Officer
Government of Israel
350 Fifth Avenue
New York, NY 10118

Dear Ohad and Eli:

We are very pleased that the Government of Israel, Economic Office of the Embassy of Israel (the "Embassy"), has engaged Arnold & Porter (the "Firm") to provide legal services to it in connection with Economic and Finance matters. The said services will be provided to the Economic Office at the Israeli Embassy in Washington. The purpose of this letter is to set forth our mutual understanding as to the terms of this Agreement and the basis on which our fees and related expenses will be charged with respect to the above-mentioned engagement.

1. Term

The term of this Agreement shall be for a period of one year commencing on January 1, 1996, and terminating on December 31, 1996. However, either party shall have the right to cancel this Agreement on 60 days prior written notice to the other.

2. Fee Calculation

The Firm will charge the GOI for our legal and monetary services on the basis of a retainer in the amount of \$6,000 per month. We will review periodically with the Embassy our actual cost experience for providing the services under this Agreement, especially during the first few months of the retainer. Based upon that review, we would consult with the Embassy to examine whether any adjustments of the services performed or of the monthly retainer amount, upward or

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downward, would be appropriate taking into consideration any budgetary restraints on behalf of the GOI.

3. Special or Separate Projects

For special or separate projects that are outside the scope of the retainer, if given to us to conduct, we would charge you at our usual and customary hourly rates in effect at the time, less a ten percent discount, exclusive of expenses.

4. Reimbursement for Expenses

The GOI shall reimburse the Firm for reasonable expenses expended by the Firm in performance of its services, not to exceed \$8,000 for the period of one year, unless otherwise approved. The said out of pocket expenses will include domestic travel and transportation expenses (including subsistence expenses while on travel); charges for long distance telephone calls; overtime secretarial charges which were prior approved; express delivery and postage charges; duplicating charges; and any special computer, data-processing or similar expenses that are beyond the capacity of the Firm's existing system. It is understood that the Firm's international travel will have to be approved by the Economic Minister prior to their execution. Any such travel so approved will be reimbursed to us and will not be subject to the \$8,000 cap. We will bill you at cost for charges paid to third parties, and charges for internal services will be billed at the Firm's usual and customary rates for such services.

Although we do not currently contemplate taking such action, we would not contract with any consultants outside the Firm without the prior approval of the GOI.

5. Statements for Fees and Expenses

On a regular basis, generally every month, the Firm will send you a statement covering our fee charges and expenses, providing all such reasonable back-up documentation. All such statements are due and payable within 30 days following your receipt of them.

If you have any questions about the terms of the engagement, as described above, I hope you will feel

ARNOLD & PORTER

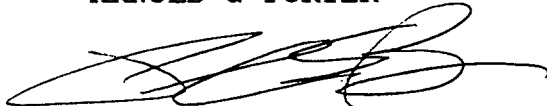
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free to raise them with me as soon as possible, and, during the course of the engagement, I would hope that you will feel equally free to raise promptly with me any questions you have about our statements. If the terms of the engagement are acceptable to you, I would appreciate it if you would sign and return to me the enclosed copy of this letter, evidencing the agreement to these terms.

Once again, let me say how pleased we are that you have engaged Arnold & Porter in this matter.

Sincerely yours,

ARNOLD & PORTER

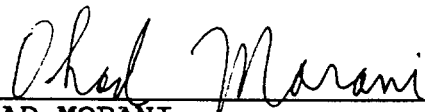


Paul S. Berger

ACCEPTED AND AGREED TO:

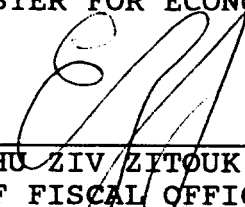
THE GOVERNMENT OF ISRAEL

By



OHAD MORANI
MINISTER FOR ECONOMIC AFFAIRS

6/12/96
Date



ELIAHU ZIV ZITOUK
CHIEF FISCAL OFFICER

6/12/96
Date